

-----Original Message-----

**From:** Padoan, Arthur C.  
**Sent:** Tuesday, November 30, 1999 12:32 PM  
**To:** Anise, Roy K.  
**Cc:** Whalen, Roy T.; Anwady, Marjorie D.; Alleyne-Chin, Trish; Schwartz, Andrew; McFadden, Vanessa  
**Subject:** Lorillard / 4Q Retail Promo Activity

Roy,

In reply to your inquiry, I believe the main reasons why Lorillard has pulled back its 4Q retail promo activity were to improve its Parent Company's consolidated IFO position and to cover a portion of the

Page 1

2070524377

MSA payments.

In addition, some of the cost reduction was applied to the development and implementation of merchandising materials. Direct Mail pieces and dollar values from Newport are becoming more competitive through September as Lorillard continues to expand its database of adult smoker names.

As reported in the Wall Street Journal (11/04/99), Loews saw profits from Lorillard tobacco unit drop to \$189.9 million during the third quarter from \$195 million a year ago. The decline was impacted by a charge of \$178.2 million used to settle tobacco litigation. When factoring in its other businesses (hotel and insurance), Loews had a decline of 56% in net income due to a reduction in overall investment gains and investment loss at the insurance unit. Net income was \$271.3 million, compared to \$617.1 million, and the investment increase was just \$6.4 million, compared to \$415.5 million a year ago.

I will look at Newport's retail promotion incidence during the 4Q in previous years to see if it is cyclical. Marge Arwady will return to the office tmw from her market check in Tampa. Marge will provide us with the latest information covering 4Q/1Q competitive retail promo activity that she received from the field sales force.

Sorry for the delayed response but I was away from the office when you called me. I'll keep you informed of any new developments and/or explanations why Lorillard has recently cut back its retail promo support for Newport.

Art